



STATE OF HAWAII  
DEPARTMENT OF EDUCATION  
P.O. BOX 2360  
HONOLULU, HAWAII 96804

**Date:** 03/16/2016  
**Time:** 02:00 PM  
**Location:** 309  
**Committee:** House Education

**Department:** Education

**Person Testifying:** Kathryn S. Matayoshi, Superintendent of Education

**Title of Bill:** SB 2731, SD1 RELATING TO SCHOOLS.

**Purpose of Bill:** Establishes a task force to review the school impact fees law, the enforcement of the law, and recommend any necessary amendments. Appropriates funds for the administrative and operating expenses of the task force. Clarifies that developers of certain projects are subject to school impact fees, even when the Hawaii housing finance and development corporation or a corresponding county agency participates in the development of the projects. (SD1)

**Department's Position:**

The Department of Education (DOE) appreciates your committee's interest and attention to DOE's school impact fees.

DOE is in full support of Part II of this bill which will make clear that all new residential units in school impact fee districts must pay the school impact fee, including all projects being processed by the state or counties through Chapter 201H-38 of the Hawaii Revised Statutes (HRS).

When the 2007 Legislature created school impact fees, they specified in the impact fee law (Chapter 302-H, HRS) that the fees were to come from all new housing in an impact district "including all government housing projects."

Chapter 201H, HRS itself states developer must work with DOE to plan for educational facilities as a "necessary and integral part" of its housing projects. DOE recognizes the need for affordable housing, but believes paying impact fees to offset the enrollment growth due to new family affordable units is a "necessary and integral part" of 201H projects, and is in line with the legislative intent of school impact fees.

We recommend passage of Part II.

DOE has reservations about Part I of this bill which creates a two year task force to review the existing school impact fee law (Chapter 302-A, HRS), and recommend changes to the law to accommodate projected population growth. The task force would look at issues of the adequacy of funding, appropriateness of fees for “vertical schools” in urban settings, strategies to develop more schools where they are needed and the effect of rail on the projected need for schools.

DOE believes recommendations from such a task force would be unnecessary and duplicate DOE’s work already underway. DOE is ready to propose a new impact fee district in urban Honolulu, from Kalihi to Ala Moana, in proximity to the route of the Honolulu Area Rapid Transit train. DOE has already grappled with the issues assigned to the proposed task force. We have followed the impact fee law which already makes provisions for non-traditional facilities for future high-growth, urban areas. DOE will need maximum flexibility and adaptability to succeed in supplying the type of urban schools compelled by the significant population growth along the rail line.

SB2731, SD1 requires the task force to submit a final report to the 2019 legislature. DOE wants public review of its proposed Kalihi to Ala Moana school impact fee district in the next few months. To begin implementing the rail-related, urban Honolulu impact fee district, DOE is seeking legislative review and support for DOE’s use of fees collected in lieu of land contributions. DOE suggests that the language from HB2538 HD1 would be a more useful Part 1 to SB2731, SD1 than the creation of a two-year task force.

If the House Committee on Education decides that a task force is a necessary exercise, the DOE would like to offer some amendments to SB2731, SD1 that will make the task force more relevant to the urban development pressures on DOE school. DOE would like to offer an HD1 that names some educators to the task force and specifies how the recommendations for changes would be directed to the Board of Education who sets education standards.



SB2731 SD1 DOE proposed HD1.docx

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
EXECUTIVE DIRECTOR

**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
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FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of  
**Craig K. Hirai**  
Hawaii Housing Finance and Development Corporation  
Before the

**HOUSE COMMITTEE ON EDUCATION**

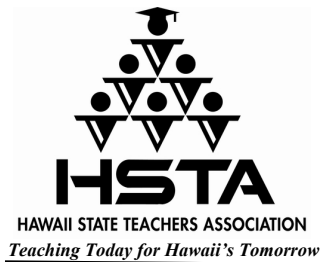
March 16, 2016 at 2:00 p.m.  
State Capitol, Room 309

In consideration of  
**S.B. 2731, S.D. 1**  
**RELATING TO SCHOOLS.**

HHFDC **supports** S.B. 2731, S.D. 1. Part II of the S.D. 1 clarifies that affordable family housing projects developed pursuant to sections 46-15.1 and 201H-38, HRS, are subject to school impact fee requirements set forth in section 302A-1603, HRS.

The S.D. 1 is consistent with HHFDC's practices, since we do not exempt housing projects assisted through the Chapter 201H expedited processing from school impact fee requirements.

Thank you for the opportunity to testify.



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Wilbert Holck  
Executive Director

TESTIMONY BEFORE THE HOUSE COMMITTEE ON  
EDUCATION

RE: SB 2731, SD 1 - RELATING TO SCHOOLS.

WEDNESDAY, MARCH 16, 2016

COREY ROSENLEE, PRESIDENT  
HAWAII STATE TEACHERS ASSOCIATION

Chair Takumi and Members of the Committee:

The Hawaii State Teachers Association **strongly supports SB 2731, SD1**, relating to schools, **with suggested amendments**.

School impact fees are a method of financing new or expanding existing Department of Education facilities, in partnership with developers of new residential areas. Residential developments create demand for public school facilities. In turn, pursuant to HRS §302A-1601, once school impact districts are identified, new residential developments are required to contribute toward the construction of new or expansion of existing public schools that serve their communities. Costs borne by developers and property purchasers are consistent with proportionate fair-share principles, meaning that residential developments within designated school impact districts pay construction cost proportionate to their impact.

Yet, the state's school impact fee law has not been full effectuated since it was enacted in 2007, despite shifting developmental and population patterns. Kaka'ako, for instance, is rife with extant and proposed high-rise projects that will bring families into the area, increasing demand for public school facilities. Approximately 5,000 new condominium units are scheduled to be built by 2018 in Kaka'ako, with the population of the district expected to double to 30,000 people in the next fifteen years, according to the Honolulu Community Development Authority. We understand that the department is using available housing data—specifically, the number and size of new units—to make projections about needed school accommodations and considering all possible solutions, including creating mixed use schools encompassing all grades K-12 and utilizing empty space at nearby

schools operating below capacity (McKinley High School's maximum capacity is 2,100 students, for example, but enrollment is just over 1,600, leaving room for an additional 400 students). These strategies are not likely to be demographically sustainable for the long-term, however, necessitating the use of alternative financial instruments to subsidize new schools.

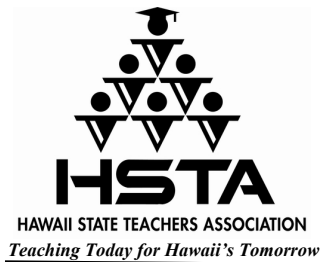
School impact fees have failed to be fully implemented, in part, because they are sometimes condemned as a property tax increase. Big Island Mayor Billy Kenoi has refused to collect the fees, calling them discriminatory. In a March 13, 2013 article entitled "School impact fees delayed," the *Hawaii Tribune Herald* reported:

Kenoi, who opposes the fee, has blocked its collection. He's said large developers already contribute as part of land use reclassifications before the state Land Use Commission, meaning the burden would fall on small lot owners. He has also noted the county was not represented in the working group establishing the districts, and he added the DOE's own lists don't show West Hawaii schools in the top 15 most needed facilities.

"This is just a fundamentally unfair bill," Kenoi told Stephens Media after the meeting. "Why does a person who builds a home here pay a penalty and nobody else does?"

What Kenoi believes to be principled opposition a burdensome financial encumbrance on real property owners is, to the contrary, obstruction of public education progress. According to a study released in 2015 by the Lincoln Institute of Land, Hawai'i has the lowest or next-to-lowest industrial, commercial, and apartment property taxes in the nation, for both urban and rural communities. Similarly, a WalletHub.com analysis revealed, last year, that the islands have the cheapest residential property taxes in the country, yet only 57 percent of state residents live in homes they own.

While some people believe that a low property tax bill makes local housing more affordable, this belief is vitiated by the fact that islanders compete heavily with people from all corners of the world for home ownership. More importantly to HSTA, Hawai'i's public schools are not funded through property taxes, which are constitutionally directed to the counties. Since property taxes are not used to finance local schools, we lack a dedicated funding stream for public education, which is instead paid for, primarily, through the state's general fund. This setup was as intentional as it is problematic. Big Five landowners and religious



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Secretary-Treasurer

**Wilbert Holck**  
Executive Director

missionaries crafted a segregated school system to perpetuate class inequality and boost plantation profits. As Corey Rosenlee wrote in the Star-Advertiser last April:

The Big Five wanted poorly educated workers to keep wages low and plantation profits high. Since land was owned by the wealthy few, Hawai'i, unlike its mainland counterparts, doesn't fund education through property taxes. Since property taxes are not used, there is no dedicated source of income for schools, and instead public school funding comes from the general fund and has been perpetually underfunded. Today, Hawaii leads the nation in the percent of students attending private school. The cost of educating a student at Punahou School is about \$26,000 per year, compared to \$8,000 per year for a regular education student at a public school.

Rectifying the economic disparities evinced and propounded by our schools is a moral imperative. To do so, we must invest in classroom cooling, facilities repair and maintenance, vocational education, arts and cultural learning, lower class sizes, public preschool, and professional pay for teachers—all of which requires increasing education funding. All options for generating revenue must be on the table, in our view, including the escalation and expansion of school impact fees.

To date, little has been collected for our schools by way of impact fees. That must change. Ideally, we would like to see impact fees expanded to the entire state and made to include commercial properties, with the exclusion of low-income and affordable housing developments. Thus, we humbly request that this bill be amended by: (1) adding a public school teacher appointed by HSTA to the task force; and (2) revising the list of items for task force consideration contained in Section 2, subsection (d) of the bill to include “statewide implementation of school impact fees” and “expansion of school impact fees to commercial properties, including hotels.”

A quality education is priceless. To move our state toward more equitable public school funding, the Hawaii State Teachers Association asks your committee to **support** this bill.

# **BIA-HAWAII**

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THE VOICE OF THE CONSTRUCTION INDUSTRY

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## Testimony to the House Committee on Education Wednesday, March 16, 2016 2:00 p.m. State Capitol - Conference Room 309

### **RE: S.B. 2731 S.D.1: Relating to Education.**

Dear Chair Takumi, Vice-Chair Ohno, and members of the Committee:

My name is Gladys Marrone, Chief Executive Officer for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

BIA Hawaii is in strong support of S.B. 2731 S.D. 1, which proposes to establish a task force to review the school impact fees law and recommend any necessary amendments. It will also require all 201H affordable housing projects to be subject to the public school impact fee requirements.

Act 245, Session Laws of Hawaii 2007, established the law regarding school impact fees. Act 245 implemented a new method for financing, in part, new or expanding existing department of education educational facilities in partnership with developers of new residential developments.

The preamble language of Act 245 states: "It also recognizes the need for more detailed planning for implementation of this Act by the department of education, and recognition of how the methodology will be applied in new residential projects involving rezoned properties or parcels, current zoned parcels with or without buildings, and redevelopment projects." At the time, the Act recognized that the methodology developed in Act 245 was primarily focused on "Greenfield" developments and would not be appropriate for "in-fill" developments.

The proposed bill states that land use planning, development patterns, and preferences have changed since 2007. Kakaako, for example, has many existing and proposed high-density residential projects that will require at least one new school in that area. Further, a rail transit system may require attention if resultant population shifts require schools to be located near rail stations. The purpose of this Act is to establish a school impact fee review task force to review the law regarding school impact fees.

As the City and County of Honolulu focuses all future development along the rail transit corridor, we believe it is critical to determine an urban "in-fill" school impact fee especially in light of the fact that there are only a handful of existing public schools in the ¼ to ½ mile radius of the 20 planned transit stations. The Department of Education must be pro-active in repositioning its assets along the rail transit corridor to accommodate the planned future growth areas on Oahu.

Furthermore, with respect to 201H projects, we believe that the impact fee should apply to these projects because these projects would ultimately be a source of a large amount of school aged children. Perhaps an exemption could be considered for 201H projects that are specific to Senior or assisted care units.

Finally, similar to the efforts behind Act 245, SLH 2007, we suggest that the Task Force include representatives from the development community. We suggest that both the Land Use Research Foundation and BIA-Hawaii be added to the Impact Fee Task Force.

We express our strong support for S.B. 2731 S.D. 1 with our proposed modifications, and appreciate the opportunity to express our views on this matter.



# BIA-HAWAII

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The proposed bill states that land use planning, development patterns, and preferences have changed since 2007. Kakaako, for example, has many existing and proposed high-density residential projects that will require at least one new school in that area. Further, a rail transit system may require attention if resultant population shifts require schools to be located near rail stations. The purpose of this Act is to establish a school impact fee review task force to review the law regarding school impact fees.

As the City and County of Honolulu focuses all future development along the rail transit corridor, we believe it is critical to determine an urban "in-fill" school impact fee especially in light of the fact that there are only a handful of existing public schools in the ¼ to ½ mile radius of the 20 planned transit stations. The Department of Education must be proactive in repositioning its assets along the rail transit corridor to accommodate the planned future growth areas on Oahu.

Furthermore, with respect to 201H projects, we believe that the impact fee should apply to these projects because these projects would ultimately be a source of a large amount of school aged children. Perhaps an exemption could be considered for 201H projects that are specific to Senior or assisted care units.

We express our strong support for S.B. 2731 S.D. 1, and appreciate the opportunity to express our views on this matter.



**Testimony to the House Committee on Education  
Wednesday, March 16, 2016 at 2:00 P.M.  
Conference Room 309, State Capitol**

**RE: SENATE BILL 2731 SD 1 RELATING TO SCHOOLS**

Chair Takumi, Vice Chair Ohno, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports** SB 2731 SD 1, which proposes to establish a task force to review the school impact fees law and recommend any necessary amendments. It will also require all 201H affordable housing projects to be subject to the public school impact fee requirements.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

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# Chamber *of* Commerce HAWAII

*The Voice of Business*

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Thank you for the opportunity to testify.